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Violet Backs Return of St. Croix Horse Racing but Says Southland Deal Cannot Be Approved as Written

Violet said he wants racing restored on St. Croix, but raised concerns over VLT regulation, St. Thomas gaming rights, the 2049 extension, tax deductions, purse payments, permanent jobs, revenue projections and existing casino workers.

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Senator Kurt Violet says the proposed Southland Gaming horse racing agreement should not move forward in its current form, arguing that the contract must be revised to address concerns over gaming regulation, St. Thomas gaming rights, tax provisions, purse payments and the agreement's long-term impact on the Virgin Islands.

Speaking during a V.I. Consortium interview Monday night, Mr. Vialet said he wants horse racing restored on St. Croix but does not believe the current agreement gives the territory the protections it needs. He said major contracts can be fixed before approval, but lawmakers must carefully review the terms before binding the government for decades.

He cited previous legislative action on other major agreements, including the then-Limetree Bay Refinery and Terminal, and the special purpose vehicle for the Government Employees' Retirement System, as examples of the Senate changing proposals before approval. In the Southland matter, he said the Legislature must again examine the details and require changes where necessary.

One of Mr. Vialet's central concerns involves video lottery terminals, or VLTs. He said the bill includes language allowing VLTs to come to St. Croix under the Lottery system, which he described as a form of self-regulation because the gaming operator reports financial information to the Lottery rather than being directly regulated by an outside entity.

"Whatever gaming is going to be expanded in the Virgin Islands need to be regulated," Mr. Vialet said. "It need to be regulated by an entity outside of that gaming industry."

He said VLT operators should not regulate VLTs, just as casinos should not regulate casinos. A separate entity, he said, must be responsible for oversight.

Mr. Vialet also raised concerns about language he said would give Southland rights tied to gaming expansion on St. Thomas. He said the agreement extends the company's contract until 2049 and includes provisions involving future casino gaming or other gaming expansion on St. Thomas.

He questioned why Southland would receive that protection while moving into St. Croix, particularly since the company is not going through existing St. Croix casino operators.

"I'm saying parity," Mr. Vialet said. He argued that if Southland is allowed to expand into St. Croix without going through existing casino operators such as Divi Carina Bay or Caravelle, then any future casino gaming expansion on St. Thomas should not be structured in a way that gives Southland special control or advantage. In his view, the agreement should treat both islands and existing gaming operators fairly rather than giving one company broader rights across the territory.

Mr. Vialet said lawmakers must also review the proposed tax structure. He said that while the agreement may appear to impose a 25 percent tax, the effective rate could be significantly lower because expenses are deducted before taxes are calculated.

"When you really begin to work the numbers, they're not actually paying 25 percent tax, because they're not paying a 25 percent on gross," he said. "They're backing out all the expenses."

He estimated that the effective rate could come out to roughly 8 or 9 percent, which he said may be less than what casino gaming is currently paying on St. Croix.

Mr. Vialet said the contract extension is another major issue. He said the additional eight years could be worth more than \$40 million annually to Southland, while the money paid for purses at the racetrack would remain the same under the current agreement.

Mr. Vialet said if Southland agrees to make changes, the company and the administration should submit a revised contract for legislative review, rather than asking senators to vote on the existing

version.

“If Southland Gaming agrees with the horse owners and they’re going to make changes, then resubmit a contract,” he said. “Resubmit a contract with the signatures that actually captures those changes that you’re going to make to it, but don’t send the same contract and ask us to vote on it.”

The senator said Governor Albert Bryan Jr. previously held a meeting with several senators and a representative for Southland, during which concerns were discussed. However, Mr. Vialet said the same contract was later sent forward without changes.

“So now it’s incumbent upon the Legislature,” he said.

Mr. Vialet said senators were expected to meet during the week to discuss the agreement and identify areas where they may recommend changes. He said if lawmakers agree on the concerns, they would submit them to Southland Gaming so the company understands the Senate’s position.

At the same time, Mr. Vialet said he wants the agreement to be balanced. He said both sides must benefit, but the contract must be fair to the people of the Virgin Islands. “They need to create a contract that is fair to themselves, but also fair to the people of the Virgin Islands,” he said.

He also said the Legislature must consider the broader gaming industry on St. Croix. Mr. Vialet noted that approximately 250 people work between Caravelle and Divi, and said lawmakers must make sure the agreement does not result in job losses at existing operations.

Mr. Vialet said Southland also needs to provide more information on employment and revenue. He said lawmakers need to know how many permanent jobs the project would create after construction, not only how many jobs would be involved during the construction phase.

He said senators also need clearer information on how much revenue the agreement would generate before deciding how to proceed.

The administration has argued that horse racing has been stalled for more than a decade and that Southland is prepared to bring significant investment to the table. Mr. Vialet acknowledged the need to restart the industry but said speed should not come at the expense of the public interest.

“When you rush to do stuff, or you lock a contract in for 20 plus years, you can’t impair the contract after,” he said. “The contract is what it is.”